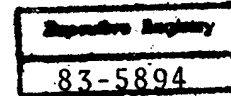


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5 December 1983

MEMORANDUM FOR: THE RECORD

SUBJECT: Summary of Cabinet Council on Trade and
Commerce Meeting, 1 December 1983

1. The meeting was chaired by Secretary Baldrige. The President, Vice President, et al, were in attendance. Gil Rye introduced the subject and summed up the results of the SIG (Space) meetings. However, he didn't indicate the voting of the SIG which parenthetically was overwhelmingly against the manned space station (MSS). He did indicate that it would cost about \$8 billion over the next 7 years, requiring \$225 million in 1984. Another option was to extend the shuttle from 7 to 21 days at a cost of \$3.1 billion with \$190 million needed in 1984.

2. Beggs then spoke, gave assurance that the number 1 priority for NASA is to make the shuttle fully operational. He said that some work has to be done and that they would certainly put their attention to it. This was obviously said to mute any criticism that might come from Defense that NASA ought to make right the programs it has now before it launches off into something new. Beggs then said that 90% out of every dollar at NASA winds up in the private sector or academia. He then spoke flatteringly of the manned space station, said that they hoped to have an IOC by 1991 or 1992. He then launched into an argument on why NASA must reach out and that the United States should capitalize on what NASA has done so far and move out into the space station. He noted in 1903, two Americans flew the first aircraft. However, nothing was really done with it for another eleven years and when World War I came the U.S. had to rely on European planes to fly. Following that lesson NACA was formed which did experiments in aerodynamics and when World War II came we were well prepared to fly our own aircraft. He noted that in 1926 Goddard launched the first rocket up in Massachusetts, that we as a nation failed to capitalize on that technology but the Germans did and in World War II they flew the rockets and we didn't.

3. The President interrupted Beggs by asking him what about a moon base. Beggs replied that the MSS is an interim station to the goal of a moon base. First comes the MSS, then a moon station manned by robotics and then finally a man-based moon station.

4. George Keyworth commented that the MSS is not new and he feels that we shouldn't emphasize a simple way station but rather go for a bold step and optimize for a goal which would mean something in space, advocating a moon space station. He readily admitted, however, that he didn't know what we would do on the moon or how we would get there but suggested over the next six months we study it to determine those answers.

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5. Baldrige then commented to the President that the options we considered were too narrow and probably we ought to undertake a study into the commercial and civil use of space--in other words do a survey to that end.

6. Thayer then spoke of the impact that the MSS would have on diverting NASA's attention away from their problems with the shuttle and optimizing that for the purpose for which it was designed. He also felt that the MSS would not be an \$8 billion program but rather a \$20 billion one. He noted that there were no military requests for the MSS--that it has no value for the Pentagon. He also noted that the National Academy of Science and the Chamber of Commerce have come out against the MSS. If we had the money maybe we could take the chance and do a thing like the MSS but there is a shortage of funds to do essential items and we can't visualize the MSS in any way recouping its investment. He said because of his own uncertainties on the future demands for dollars he proposed not scheduling the MSS now but deferring it for six months to a year so that we would have a better picture of resources needed.

7. Stockman then spoke, said that the MSS was excessive in costs when resources are scarce. He felt that it would cost at least \$10 to \$15 billion and that amount would push the budget to fracture. He noted that the \$3.5 trillion program puts us out perilously close to fiscal bankruptcy. He noted for the President that in FY 1983 we had a \$208 billion deficit. In 1984, Congress didn't cut one dime and we will experience another \$200 billion deficit. Fiscal 1985 will be driven by an election year and we will undoubtedly have a \$200 billion deficit then. Thus, in just three fiscal years we will have added \$600 billion to the national debt. He said that you, Mr. President, have got to get ahold of Congress and force them to do what they ought to do. Then maybe in FY 1986 we can cut the deficit to \$156 billion and by 1987 to \$150 billion. But what this means is that the mid-80's will add \$1 trillion to our national debt.

8. The President said that he didn't plan to make a decision today but just wanted to hear everyone out. Baldrige commented that we haven't heard yet from the private sector and that there is some talk that several companies may form a consortium to build the MSS and lease it back to the U.S. This generated a few smiles and smirks around the table.

9. Bill Brock, U.S. Trade Representative, then spoke. He claimed that we really haven't spent any dollars in the past 20 years because every dollar spent in space has been returned to us 20 times over in economic growth and flow of dollars to the treasury. McNamar interrupted

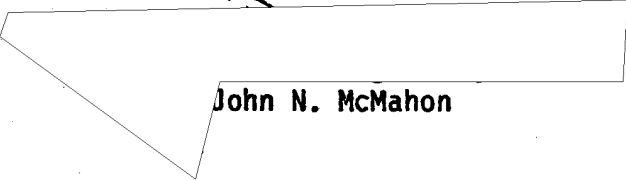
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him by saying that the Treasury has yet to see its first dollar from space and if it's true that we can get 20 to 1 for an investment like the MSS then he and Donald Regan are going to leave Treasury and set up a company to do that. The Attorney General interrupted by saying that if Ferdinand and Isabella had the same attitude the U.S. would not have been discovered. The President interrupted by saying that Isabella had jewelry to sell and he doesn't. Thayer commented, "Where is Spain now?" Brock then gave an emotional talk on how dollars spent on welfare are wasted, we never see them and even noted how the seed corn that we gave the Indians which would have increased their harvest tenfold was eaten instead of planted.

10. Craig Fuller then commented about how he must represent U.S. commercial interests with whom he has been in touch and he feels that if the President makes this commitment that U.S. industry is with him and that he would even have our European partners cheering us on.

11. Whereupon the meeting ended and we all withdrew.



John N. McMahon

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